

Markets This Week Ahead of The Open

From a high-level view, this past week saw the market forced to weave through an environment where rapid technological advances are making certain functions, particularly across software, increasingly obsolete, while at the same time these effects are being amplified by the massive spending efforts of large technology firms investing heavily to build the platforms and infrastructure that will ultimately enable and accelerate this AI-driven shift. While these factors may be what's on the top of most investors' minds, it is still important to note that attention still remains on sectors outside of tech & software, particularly the pharmaceuticals, where rapid developments seem to keep on occurring.

Spending Concerns Remain Elevated

This past week saw the earnings reports of major companies such as Palantir, Meta, Amazon, & Google, and amongst all these reports investors were mainly concerned about one topic - spending. In this race to capitalize on the surge of AI & its demand, many companies have, in a sense, been forced to increase their spending in order to not stay behind. Although these investments signal confidence from management, investors tend to interpret them through a much more cautious lens. Amazon reported its earnings this Thursday, and what caught everyone's attention was their CAPEX forecast, where they expect to spend around \$200 billion for this year. Following this earnings report, Amazon shares fell around 10% in its extended-trading session, reiterating the heightened concerns regarding their spending forecast. Alphabet, the parent company of Google, also displayed a similar phenomenon earlier this week with its earnings report. Despite beating analyst expectations when it came to both revenue and EPS, their shares still fell around 3% mainly due to their forecasted CAPEX (\$175 - \$185 billion for FY26). Although Meta reported earnings last week, it is still important to note that they also displayed a similar trend when it came to forecasted spending. Meta's announcement pointed to a sharp acceleration in capital spending, with CAPEX expected to roughly double from last year to an estimated \$115–\$135 billion. While elevated spending has historically been viewed as a sign of confidence and future growth, that relationship has begun to break down in large-cap tech, particularly among the Magnificent Seven. Investors continue to question whether the surge in AI-related capital spending will ultimately translate into meaningful returns, or if the scale of investment is simply running ahead of fundamentals. As a result, forecasts calling for CAPEX to double or accelerate at an unprecedented pace have become a growing source of concern and have experienced negative investor sentiment.

AI Undermines Software Technology

As artificial intelligence continues to grow its presence in our current environment, investors have increasingly become more focused in regard to what this expansion can mean for certain functions, certain responsibilities, and even certain programs themselves. Lately this focus has shifted to software-based companies, and alongside this increased focus came bearish sentiment. Following the announcement of Anthropic's new legal AI-tool, this sentiment not only increased, but actually materialized with companies such as Thomson Reuters, Intuit, and ServiceNow experiencing a sustained sell-off. It seems as if the initial euphoria stage regarding AI is coming to an end, and that

investors are now starting to question what this could mean for many companies in the long run, especially those that are software based. Rising pricing pressure and intensifying competition along with the possibility that AI could ultimately replace many of the functions these companies provide are among the key questions investors are grappling with and appear to be what's behind this sell-off. Artificial intelligence was once initially viewed as a tool meant to supplement what these companies provide, but recent developments suggest that this narrative is beginning to fade. Instead, AI is increasingly being seen as a force that could ultimately render parts of these businesses obsolete, a dynamic that continues to command investor attention.

Pharmaceuticals Warrant Increased Focus

Over the past week, the pharmaceutical industry has experienced a plethora of developments that continue to leave investors intrigued. Novo Nordisk, once Europe's most valuable company, saw a massive sell-off on Wednesday following its updated sales outlook. Headwinds such as increased competition, the rise of "copycat" drugs, and price pressure within the United States are what drove their expectations of a ~13% decline in sales for the year to come. Following this announcement, shares not only fell around 20%, but the company as a whole lost around \$50 billion in market cap. However, Eli Lilly, one of Novo Nordisk's main competitors, had a much different story following their earnings report. Not only did bottom-line EPS beat analyst expectations (\$7.54 vs \$6.67), but so did their guidance, as for FY26 Eli Lilly provided a robust outlook in which EPS is projected to be within \$33.5 - \$35 per share, well above analyst expectations of around \$33 per share. While Novo Nordisk & Eli Lilly may be some of the largest names with some of the largest moves, it's clearly anyone's game in regard to these weight-loss pills, and for a moment it seemed as if Hims & Hers was next to take the spotlight. Around Friday afternoon, Hims & Hers launched their own cost-friendly version of Novo Nordisk's Wegovy drug, an announcement to which Novo responded with a threat to sue. Regarding Hims & Hers new pill, what makes its offer so special, as previously mentioned, is its price. Novo Nordisk's Wegovy pill typically costs \$199 a month, while Hims & Hers would be offered at \$99 a month. While initially this announcement seemed to be a monumental step for Hims, it soon came to a close following a recent FDA announcement in which it aims to take restrictive actions against them. These actions are warranted by the fact that Hims & Hers "copycat" drug is not FDA approved, and as such the FDA does not want it to be mass-produced. The FDA has consistently emphasized that it cannot confirm the safety, quality, or effectiveness of this drug, and it has signaled that further, more decisive restrictions are likely as its oversight continues. Shortly after these colorful reactions Hims & Hers would go on to pull away their "copycat" drug.

Musk Remains in the Headlines

Elon Musk continues to find new ways to bring himself to the spotlight, and this week was a great example of that. On Monday, SpaceX announced that it would be merging with xAI, another one of Elon Musk's companies known for its Grok Chatbot. While terms of the transaction weren't fully disclosed, multiple reports confirm that the SpaceX-xAI merger values the combined entity at roughly \$1.25 trillion, the largest M&A deal ever for a private company. It is also important to note that this merger comes after Tesla announced a \$2 billion investment in xAI as well. Musk has long been defined by his ambition and appetite for unconventional bets, and this merger is entirely in character. In the memo announcing the deal, he framed the combination as a pathway to 'monetizing

space' through an AI-driven satellite network, positioning it as an early step toward funding and enabling commercial activity on the Moon and, eventually, Mars. These forward-looking ambitions may appear to be the primary rationale behind the merger, but many observers point to a more strategic motive: timing. The deal comes just ahead of SpaceX's planned 2026 IPO, and the merger effectively creates a valuation premium while amplifying investor excitement. However, at the end of the day, whatever the underlying motive is, it's clear that Musk continues to find new ways to dominate headlines. With the proposed SpaceX IPO approaching, his next move, and his next message, will be worth watching.

Layoffs Continue

Another theme that continued to resurface this week was the persistence of layoffs, reinforcing cracks beneath an otherwise resilient-looking U.S. labor market. The Washington Post stood out, with Jeff Bezos announcing layoffs that affected roughly one-third of the paper's staff, a sizable cut that underscored the pressure facing legacy media businesses. The timing drew added scrutiny, as the announcement came while Amazon's Prime Video, also under Bezos ownership, was in the spotlight for releasing a Melania Trump documentary. More broadly, the episode fits into a growing pattern of major companies appearing increasingly willing to recalibrate their positioning as Trump's political relevance intensifies. While the layoffs were justified as part of a restructuring effort amid a difficult advertising and media environment, the signal was consistent with what markets have been seeing elsewhere: firms remain focused on cost discipline, suggesting labor market stress is still very much present despite strong equity performance.